

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 25309
[Redacted],	)	
	)	
Petitioners.	)	DECISION
_____	)	

[Redacted] (Petitioners) protested the Notice of Deficiency Determination dated June 11, 2012, asserting additional income tax and interest for taxable year 2011 in the total amount of \$522. Petitioners disagreed with Revenue Operations’ adjustment disallowing the dependent exemption deductions for [Redacted]. The Tax Commission, having reviewed the file, hereby issues its decision.

**BACKGROUND**

Petitioners filed their 2011 Idaho individual income tax return claiming dependent exemption deductions for [Redacted]. As the processing of 2011 income tax returns continued, Petitioners’ return was identified as one of two income tax returns that claimed dependent exemption deductions for [Redacted] and [Redacted]. The Taxpayer Accounting Section (Taxpayer Accounting) requested additional information from Petitioners in the form of a questionnaire. Petitioners failed to respond to the questionnaire, so Taxpayer Accounting disallowed the dependent exemptions and sent Petitioners a Notice of Deficiency Determination.

Petitioners protested the Notice of Deficiency Determination stating they have cared for the children since their birth, and have provided monetary support to them. Petitioners stated they were given permission by [Redacted](presumably [Redacted] mother) to claim the children as dependents. Taxpayer Accounting reviewed the information and referred the matter for administrative review.

The Tax Commission sent Petitioners a letter that discussed the methods available for redetermining a protested Notice of Deficiency Determination. Petitioners responded with documentation to support the dependent exemption deductions for [Redacted] and [Redacted]. Petitioners provided no additional information for either [Redacted]. Seeing Petitioners were given the opportunity to state and defend their position, the Tax Commission decided the matter based upon the information available.

### **LAW AND ANALYSIS**

Deductions are a matter of legislative grace, and taxpayers bear the burden of proving they are entitled to the deductions claimed. INDOPCO, Inc. v. Commissioner, 503 U.S. 79, 84, 112 S. Ct. 1039, 117 L.Ed.2d 226 (1992); New Colonial Ice Co. v. Helvering, 292 U.S. 435, 440, 54 S. Ct. 788, 78 L. Ed. 1348 (1934). Internal Revenue Code (IRC) section 151(c) allows a taxpayer a deduction of the exemption amount for each dependent as defined in IRC section 152.

IRC section 152(a) defines a dependent as either a “qualifying child” or a “qualifying relative.” A qualifying child is an individual who 1) bears a certain relationship to the taxpayer, 2) has the same principal place of abode as the taxpayer for more than one-half of the taxable year, 3) meets certain age requirements, 4) has not provided over one-half of the individual’s own support for the taxable year, and 5) has not filed a joint return with the individual’s spouse for the taxable year. IRC section 152(c)(1) through (3).

A qualifying relative is an individual 1) who bears a certain relationship to the taxpayer, 2) whose gross income for the taxable year is less than the exemption amount, 3) with respect to whom the taxpayer provides over one-half of the individual’s support for the taxable year, and 4) who is not a qualifying child of the taxpayer or of any other taxpayer for the taxable year. IRC section 152(d)(1) and (2).

In this case, Petitioners' relationship to [Redacted] is that of grandparents. This relationship would set Petitioners up for [Redacted] to meet the qualifying child requirements of IRC section 152. However, based upon Petitioners' statements in their protest letter, it appears [Redacted] did not live with Petitioners for more than one-half of the 2011 taxable year. As a result, neither [Redacted] can be a qualifying child for Petitioners.

Regarding a qualifying relative, Petitioners stated they contributed \$700 toward the support of [Redacted], gave cash to [Redacted] for her power bill, and paid for a membership to [Redacted]. The requirement for a qualifying relative is that the taxpayer provides more than one-half the support of the dependent. Petitioners' stated support appears to be far less than half the support needed to provide for two children. Since Petitioners did not establish the amount for the full support of [Redacted], the Tax Commission is not inclined to believe Petitioners provided over one-half the support for [Redacted].

### CONCLUSION

Petitioners did not establish that [Redacted] met the requirements for either a qualifying child or a qualifying relative. Therefore, the Tax Commission finds Petitioners are not entitled to the dependent exemption deductions for either [Redacted] for taxable year 2011. And, because Petitioners cannot claim the dependent exemptions, Petitioners cannot claim the additional grocery credit per Idaho Code section 63-3024A.

THEREFORE, the Notice of Deficiency Determination dated June 11, 2012, and directed to [Redacted] is AFFIRMED.

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2011	\$522	\$16	\$538
		LESS 2012 OFFSET	(522)
		BALANCE DUE	<u>\$ 16</u>

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of the Petitioners' right to appeal this decision is enclosed.

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

IDAHO STATE TAX COMMISSION

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COMMISSIONER

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2013, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted]

Receipt No.

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